MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BAC 4634 – CORPORATE ACCOUNTING II
(All sections / Groups)

2 MARCH 2016
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages including the cover page with 4(four) Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

Bukit Jalil Bhd. bought 75% of Singapore Trades Ltd. on 1st January 2015 for RM450,000 when the exchange rate was RM2 to S$ 1. The retained earnings of Singapore Traders Ltd. on that date were S$90,000. Non-controlling interest is valued at the proportionate share of the identifiable net assets. Since acquisition there has been no impairment of goodwill.

The statements of financial position as at 31st December 2015 were as follows:

	Bukit Jalil Bhd		Singapore Traders Ltd	
	RM	RM	S $	S $
Non current assets				
Property, Plant and Equipment		900,000		320,000
Investments in Singapore Traders Ltd		450,000		
Current assets:-				
Inventories	150,000		90,000	
Accounts receivables	125,000		20,000	
Bank balance	50,000		10,000	
	325,000		**120,000**	
Current liabilities:				
Accounts payables	(125,000)		(20,000)	
		200,000		100,000
		1,550,000		**420,000**
Ordinary Share Capital		1,000,000		200,000
Retained earnings		250,000		120,000
Long term loan		300,000		100,000
		1,550,000		**420,000**

The statements of profit or loss for the year ended 31st December 2015 were as follows:

	Bukit Jalil Bhd	Singapore Traders Ltd
	RM	S $
Revenue	350,000	270,000
Cost of sales	(200,000)	(210,000)
Gross profit	**150,000**	**60,000**
Other income	75,000	120,000
Administrative expenses	(78,000)	(90,000)
Finance cost	(9,000)	(45,000)
Profit before tax	138,000	45,000
Tax	(38,000)	(15,000)
Profit after tax	**100,000**	**30,000**

The following additional information is available.

Exchange Rates:		RM	to	S$
	1st January 2015	RM2.00		S$1
	Average 2015	RM2.50		S$1
	31st December 2015	RM3.00		S$1

Required:

a) Translate the statement of profit or loss of Singapore Traders Ltd. into presentation currency.

(4 marks)

b) Translate the statement of financial position of Singapore Traders Ltd. into presentation currency.

(6 marks)

c) Prepare the consolidated statement of profit or loss of Bukit Jalil Bhd. group for the year ended 31st December 2015.

(4 marks)

d) Prepare the consolidated statement of financial position of the group as at 31st December 2015.

(6 marks)

e) Calculate the Goodwill and exchange differences for 2015.

(5 marks)
(Total: 25 marks)

QUESTION 2 (25 MARKS)

A) Bukit Bintang Bhd acquired an asset on 1st January 2008 at a cost of RM500,000. The company policy is to depreciate the assets on a straight-line basis over 10 years with a zero residual value.

On 1st January, 2012, the company revalued the assets at RM480,000. The company does transfer the depreciation on revaluation amounts to revaluation reserves account and the balance is charged to income statement.

In January 2014, localised flood occurred and the recoverable mount of the asset fell to RM180,000.

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Required:

i)   What impairment charge should be recognised in the revaluation reserve a/c and in the statement of profit or loss of Bukit Bintang Bhd arising from the impairment review in January 2014 in accordance with MFRS 136. Record the necessary journal entry from 1st January 2008 to 31st December 2014.

                                                           (8 marks)

ii)   Prepare extracts of the statement of profit or loss and statement of financial position for the asset, including depreciation and Revaluation reserve for seven years.

                                                           (7 marks)

B)   The following income information is extracted from the financial statement of Syntex Bhd., for the year ended 31st December 2014.

Profit before taxation   RM 250,000

The following amounts were debited in the statement of Profit or loss:

i.	Depreciation charged	50,000
ii.	Donation to un-approved institutions	6,000
iii.	Provision for warranty	4,000
iv.	Provision for bad and doubtful debt	10,000
v.	Penalty paid	2,000

The following additional information is available:

a.   Plant and machinery a/c

Balance at 1st Jan 2014	RM 100,000
Additions	150,000
Depreciation	(50,000)
Balance at 31st December 2014	200,000

b.   Provision for warranty a/c

Balance at 1st January 2014	RM40,000
Provision for the year	4,000
Less: Warranty expenses incurred	(16,000)
Balance at 31st December 2014	28,000

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c. Provision for doubtful debt a/c

Balance at 1st January 2014	22,000
Provision for the year	10,000
Less: Bad debt	(5,000)
Balance at 31st December 2014	27,000

d. The Income tax rate is 25%, initial allowance is RM30,000 and capital allowance is RM 40,000 for the year 2014.

Required:

a) Compute the taxable income for the year 2014

(3 marks)

b) Compute the taxable and deductible time differences

(4 marks)

c) Calculate the deferred tax and prepare necessary journal entry

(3 marks)

(Total: 25 marks)

QUESTION 3 (25 MARKS)

A) On January 1, 2015, Bambino Bhd issued RM10 million **zero coupon interest rate loan notes maturing** in five years' time at a premium of 50%. Prevailing interest rate is 8.5%.

Required:

a) What should be the accounting treatment for this financial instrument? Explain your answer and show computation where relevant for 5 years. (6 marks)

b) Prepare extracts of the statement of profit or loss and statement of financial position for all five years. (4 marks)

B) Bambino Berhad also issued 1 (ONE) million convertible loan debenture for RM100 million cash (par value) on January 1, 2015. Holders can choose to redeem it into 100 million ordinary shares of RM1 at the end of three years. Interest was paid annually in arrears at a rate of 6% per annum. Bonds without the conversion option attracted an interest rate of 9% per annum at issuance date. The company incurred issue costs of RM1 million. All bonds were converted into ordinary shares on maturity date.

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Required:

a) What should be the accounting treatment for this financial instrument? Explain your answer and show computation where relevant. (5 marks)

b) Prepare the journal entries for the transactions from issuance to redemption. (10 marks)

(Total: 25 marks)

QUESTION 4 (25 MARKS)

A) What is the general principle of recognizing assets, liabilities, income and expenses for interim reporting under MFRS134? (5 marks)

B) Tinta Bhd is a printing company in Sungai Buloh. It prepares interim half-yearly reports. It's financial year-end is 31 December 2015. The following information was gathered.

Required:
For each of the situation below, discuss how each of the item should be treated in the interim report as on 30th June 2015. Support your answer with the relevant standards and computations where relevant.

i. The government has recently announced the Third Mass Rapid Transit line. One of the stations is right next to Tinta's property. This caused a flurry of sales of the factory and land properties in the area. The carrying value of Tinta's property is RM800,000 (factory RM200,000 and land RM600,000). The factory has a remaining useful life of ten years. The most recent sale of a similar property in the area is RM3.2 million.

(5 marks)

ii. On 1 January 2015, Tinta granted its 50 staff 5,000 share options each. The exercise price is RM5. The staff were required to remain in service for three years. The company valued the share options on 1 January at RM6. In June 2015, two staff left.

(6 marks)

iii. There was a recent fire in one of the storage rooms. Inventories of RM20,000 was destroyed and it will cost RM30,000 to restore the storage rooms to usable condition. The repairs will take place in October 2015.

(3 marks)

iv. One of Tinta Bhd's subsidiaries was expected to declare its dividends for the year ended 31 December 2015 on 31st April 2016. However, it only declared it on 1 July 2016.

(3 marks)

v. Tinta Berhad has a practice of sending their staff on a company trip at the end of the year. The amount budgeted for 2015 was RM1 million.

(3 marks)

(Total: 25 marks)

End of Question Paper